



I. Background

A. TCA Amendments

On December 21, 2000, the ISO filed, on behalf of itself and the Participating Transmission Owners, in Docket No. ER01-724-000, a number of changes to its TCA<sup>2</sup> to recognize Vernon's application to become a Participating Transmission Owner. The ISO also filed revisions to identify the transmission interests that Vernon will be turning over to the ISO's operational control and the inclusion of an explicit contract provision to ensure that all Participating Transmission Owners, including an entity such as Vernon, which is not subject to the rate jurisdiction of the Commission under sections 205 and 206 of the Federal Power Act (FPA),<sup>3</sup> make all refunds or payment adjustments to implement any relevant Commission order.

The proposed amendments to the TCA also include provisions to reflect changes approved by the ISO stakeholder Board regarding maintenance standards and notification procedures.

The ISO's December 21, 2000 submittal conditioned Vernon's status as a Participating Transmission Owner on Vernon's execution of the TCA without condition. On December 28, 2000, the ISO filed Vernon's executed signature page which, in conjunction with assurances from Vernon that its execution fully binds it to the TCA as it is or may be changed by the Commission, is intended to remove the conditional status of Vernon as a Participating Transmission Owner.

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<sup>2</sup>The TCA establishes the terms and conditions under which Transmission Owners place certain transmission facilities and entitlements under the ISO's operational control, thereby becoming Participating Transmission Owners.

<sup>3</sup>16 U.S.C. §§ 824d, 824e (1994).

The ISO requests waiver of the Commission's prior notice requirements to permit the proposed amendments to be made effective January 1, 2001.

B. Docket No. EL01-14-000

On November 9, 2000,<sup>4</sup> Vernon filed a complaint which it characterizes as primarily intended to provide a procedural means for the Commission to take whatever actions are necessary to ensure that Vernon is able to become a Participating Transmission Owner, effective January 1, 2001. Vernon states that its complaint is filed "out of an abundance of caution" because of the need for action on Vernon's request to become a Participating Transmission Owner by the end of calendar year 2000, including the ISO's approval of Vernon's application to become a Participating Transmission Owner, approval of Vernon becoming a party to the TCA, and approval of Vernon's proposed clarifications to the TCA. Vernon has asked the Commission to revise a number of provisions of the proffered TCA, including Section 15, Dispute Resolution, which requires all Participating Transmission Owners, under certain conditions, to participate in arbitration.

II. Notices, Interventions, and Responses

Notices of the filings in Docket No. ER01-724-000 and Docket No. EL01-14-000 were published in the Federal Register,<sup>5</sup> with comments, protests, or motions to intervene due on or before January 11, 2001, and November 29, 2000, respectively.

In Docket No. ER01-724-000, the Public Utilities Commission of the State of California (California Commission) filed a notice of intervention, and the Northern California Power Agency (NCPA), Metropolitan Water District of Southern California (Metropolitan), Sacramento Municipal Utility District (SMUD), California Electricity

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<sup>4</sup>Vernon filed an amendment to its complaint on November 17, 2000, in which it provided further supporting information and arguments. On December 21, 2000, Vernon filed an emergency renewal of its request for immediate action on the complaint.

<sup>5</sup>66 Fed. Reg. 1334 (2001) and 65 Fed. Reg. 69,759 (2000), respectively.

Oversight Board (Oversight Board), and Turlock Irrigation District (Turlock) filed timely motions to intervene raising no substantive issues.

A timely motion to intervene with supporting comments and partial protest was filed by Pacific Gas and Electric Company (PG&E). Timely motions to intervene with supporting comments were filed by Southern California Edison Company (SoCal Edison) and San Diego Gas & Electric Company (SDG&E). SDG&E also moved for consolidation with Docket No. EL01-14-000. Timely motions to intervene and protests were filed by the California Department of Water Resources (DWR), Transmission Agency of Northern California (TANC), Modesto Irrigation District (Modesto), Cities of Redding and Santa Clara, California, and the M-S-R Public Power Agency (Cities/M-S-R). Vernon filed a protest and motion to consolidate Docket Nos. ER01-724-000 and EL01-14-000.<sup>6</sup> On January 26, 2001, the ISO filed an answer to the comments, protests, and motions to consolidate, stating that it does not oppose consolidation of the two dockets.

In Docket No. EL01-14-000, a notice of intervention was filed by the California Commission, and timely motions to intervene raising no substantive issues were filed by the California Power Exchange Corporation (CA PX), Cities of Redding and Santa Clara, NCPA, Metropolitan, DWR, Oversight Board, SMUD, Duke Energy North America, LLC, Duke Energy Trading and Marketing, LLC and Duke Energy Merchants, LLC. Motions to intervene and comments opposing the complaint were filed by SoCal Edison, PG&E, and SDG&E. TANC and Modesto filed motions to intervene and comments in support of the complaint.

On November 29, 2000, the ISO filed an answer to Vernon's complaint. The ISO stated that Vernon's allegations were unfounded, its requests for relief unnecessary, and that the ISO was working expeditiously to facilitate Vernon's request to become a Participating Transmission Owner by January 1, 2001.

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<sup>6</sup>SDG&E's motion to intervene supported Vernon's motion to consolidate the proceedings.

On December 7, 2000, Vernon filed an Answer to the ISO's November 29, 2000 Answer in which it elaborated on the developments regarding the status of the filings necessary for it to become a Participating Transmission Owner. On December 22, 2000,<sup>7</sup> the ISO filed a motion to treat as moot and strike Vernon's December 7, 2000 Answer. On January 8, 2000, Vernon filed an answer to the ISO's December 22, 2000 motion.

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<sup>7</sup>On December 26, 2000, the ISO filed a corrected copy of this pleading.

### III. Discussion

#### A. Procedural Matters and Motions to Consolidate

Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,<sup>8</sup> the notices of intervention of the California Commission and the timely, unopposed motions to intervene of the Oversight Board, SoCal Edison, PG&E, SDG&E, DWR, Metropolitan, TANC, NCPA, Turlock, SMUD, Modesto, CA PX, Cities/M-S-R, Cities of Redding and Santa Clara, and Duke Energy North America, LLC, Duke Energy Trading and Marketing, LLC, and Duke Energy Merchants, LLC serve to make them parties to the proceedings in which the motions were filed.

Rule 213 of the Commission's Rules of Practice and Procedure<sup>9</sup> generally prohibits an answer to an answer. With respect to Vernon's December 7, 2000 answer, we are not persuaded to allow the proposed answer, and accordingly will reject the answer. In light of this determination, we also reject the ISO's December 22 motion (as corrected) and Vernon's January 8, 2001 answer. Regarding the ISO's January 26, 2001 answer in Docket No. ER01-724-000, to the extent it represents an answer to protests, we are not persuaded to allow the answer, and will reject it.

Inasmuch as we are not setting these matters for hearing, consolidation of the dockets is unnecessary.

#### B. Vernon's Status as a Participating Transmission Owner and Effective Date

The ISO represents that Vernon has become a Participating Transmission Owner based on: the filing with the Commission by the ISO of Vernon's executed signature page; Vernon's statement that the execution of the signature page fully binds Vernon to the TCA as it is or as it may be changed by the Commission; and Vernon's statement that

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<sup>8</sup>18 C.F.R. § 385.214 (2000).

<sup>9</sup>18 C.F.R. § 385.213 (2000).

it was absolutely, legally committed to the TCA as it would be finally approved by the Commission.

SoCal Edison comments that it does not believe that Vernon has taken all the steps necessary to become a Participating Transmission Owner, including the submission of an unequivocal City Council resolution for the execution of the TCA. PG&E protests the ISO's representation that Vernon has become a Participating Transmission Owner, arguing that contract law requires that all the parties to a contract agree to precisely the same set of terms and conditions; otherwise no agreement has been made and the parties lack certainty about their rights and obligations. Therefore, for Vernon to become a Participating Transmission Owner, PG&E asserts that it must execute the TCA in the same unconditional way as the other parties to the TCA. PG&E believes that this has not yet occurred because Vernon's actions were a counteroffer to the ISO, not a binding contract.<sup>10</sup> PG&E argues that Vernon has expressly conditioned its execution of the TCA on Section 16.2 of the TCA not being effective. PG&E also notes that there is no express prohibition in the TCA to Vernon, once it is a party to that contract, challenging various provisions of that contract before the Commission.

We believe that Vernon's execution of the TCA and its commitments described above are sufficient to permit it to become a Participating Transmission Owner. We disagree with PG&E that Vernon has conditioned its execution of the TCA on Section 16.2 not being effective. Vernon City Council Resolution No. 7672 is an acceptance of

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<sup>10</sup>PG&E argues that under California law, which applies to the TCA under its Section 26.9, a qualified acceptance of an offered contract constitutes a counteroffer, not an acceptance. PG&E states that this situation is distinguished from an unequivocal acceptance that includes a protest about terms of the offer.



the TCA that simply acknowledges that the TCA, as amended, is subject to Commission review. Such an acknowledgment does not detract from Vernon's acceptance because the effectiveness of the TCA is already contingent upon Commission review under both the Federal Power Act and the terms of the TCA itself.<sup>11</sup> Based on this finding, the ISO's proposed Appendix A, A.2, Transmission Entitlements, and Appendix B, Encumbrances, for Vernon, are accepted for filing, to become effective January 1, 2001, as requested.<sup>12</sup>

C. Unresolved Complaint Issue

Vernon's complaint raises five issues including whether Vernon should be bound by Section 15, Dispute Resolution, of the TCA, and requests clarification and/or modification of Section 4.1.5, Warranties, Section 6.2.2, Release of Scheduling Rights, Section 9.4, Sanctions, and Section 10.1.1, ISO Controlled Grid Access. The ISO's filing in Docket No. ER01-724-000 resolves or moots all of the issues raised by Vernon in its complaint except whether Vernon should be bound by Section 15 of the TCA. Thus, we will dismiss Vernon's complaint with respect to those issues.

With respect to the unresolved issue of whether Vernon should be bound by Section 15, Dispute Resolution, of the TCA, Section 15 of the TCA states:

In the event any dispute regarding the terms and conditions of this Agreement is not settled, the Parties shall follow the ISO ADR Procedure set forth in Section 13 of the ISO Tariff.

Section 13, Dispute Resolution, of the ISO Tariff sets forth the procedures for Negotiation, Mediation, and Arbitration. With respect to the arbitration procedures, Section 13.4.1, Basis for Appeal, provides that:

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<sup>11</sup>See TCA Sections 3.1 and 26.11

<sup>12</sup>See *Central Hudson Gas & Electric Corporation, et al.*, 60 FERC ¶ 61,106 at 61,339, reh'g denied, 61 FERC ¶ 61,089 (1992).

A party may apply to FERC or any court of competent jurisdiction to hear an appeal of arbitration award only upon the grounds that the award is contrary to or beyond the scope of the relevant ISO Documents, United States federal law, including, without limitation, the FPA, and any FERC regulations and decisions, or state law. . . .

In addition, Section 13.4.2 of the ISO tariff states:

The parties intend that FERC or the court of competent jurisdiction should afford substantial deference to the factual findings of the arbitrator. No party shall seek to expand the record before the FERC or court of competent jurisdiction beyond that assembled by the arbitrator, except (i) by making reference to legal authority which did not exist at the time of the arbitrator's decision, or (ii) if such party contends the decision was based upon or affected by fraud, collusion, corruption, misconduct or misrepresentation.

Vernon asserts that, as a governmental entity, it should not be deprived of the ability to seek Commission intervention when disputes go to the heart of its investment in transmission facilities. As such, Vernon argues that, based on Section 13.4.2 of the ISO Tariff, the ADR procedures provide for binding arbitration for the resolution of certain issues, and limitations on review by the Commission of such binding arbitration processes. Specifically, Vernon argues that the Commission should retain its authority in full so as to ensure that an arbitrator's decision is not inconsistent with the Federal Power Act and the goals and policies of the Commission. Vernon further argues that now is not the time for the Commission to cede authority to potentially parochial interests and thus risk hamstringing its ability to deal with issues that may in the future develop under the TCA.

In its answer, the ISO notes the Commission's stated preference that disputes be resolved through ADR Procedures before coming to the Commission for resolution.<sup>13</sup> The ISO also notes that the Commission has previously found the ISO/PX's proposed

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<sup>13</sup>See California Power Exchange Corporation, 88 FERC ¶ 61,112, order on reh'g, 88 FERC ¶ 61,138 (1999); Pacific Gas and Electric Company et al., 81 FERC ¶ 61,122 (1997) (PG&E).

standard of review of an arbitrator's decision to be reasonable.<sup>14</sup> Thus, the ISO argues that Vernon's characterization of the ADR procedures as "binding arbitration" and Vernon's statement that "it should not be deprived of the ability to seek Commission intervention" are in error. The ISO argues that Section 15 of the TCA and Section 13 of the ISO Tariff do not preclude a party from either bringing a complaint before the Commission or having Commission review of ADR determinations.

SoCal Edison comments that under the ISO Tariff, the Commission reviews legal issues, as in any standard appeal procedure, *de novo*, and it is only the factual findings of the arbitrators that receive substantial deference upon Commission review. SoCal Edison also states that this is standard appellate procedure and any other approach would only indefinitely delay the resolution of meritorious claims.

PG&E argues that Vernon's reliance on its status as a governmental entity for its refusal to be subject to the ISO's ADR procedures is misplaced. PG&E states that the Commission has ample evidence of numerous California governmental entities, including municipalities, which have entered into contracts with the ISO that require binding arbitration, and that Vernon itself has entered into a Scheduling Coordinator Agreement with the ISO that includes the same ADR procedures used in the TCA.

We find that the continued use of arbitration for TCA- related disagreements is reasonable. Vernon has proffered no evidence to persuade us that the use of arbitration as an initial process in resolving disagreements between parties under the TCA has produced results that are inconsistent with the FPA or the goals and policies of the Commission. In addition, we do not believe that the language in Section 13.4.2 limits the Commission's ability to carry out its statutory responsibilities.

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<sup>14</sup>PG&E, 81 FERC at 61,462.

Further, in accordance with our findings regarding Vernon's Transmission Revenue Requirement,<sup>15</sup> we believe that Vernon's status as a governmental entity requires that it be subject to terms and conditions that are consistent with those applied to jurisdictional entities in a multi-party agreement.<sup>16</sup> The other parties to the TCA have agreed to follow the procedures set forth in Section 15 of the TCA and Section 13 of the ISO Tariff.<sup>17</sup> Therefore, Vernon's requested relief for modification of the provisions of Section 15 of the TCA and Section 13 of the ISO Tariff is denied.

D. Section 4.1.5 of the TCA

The ISO proposes to amend Section 4.1.5, Warranties, of the TCA to state that each Participating Transmission Owner warrants that as of the date on which it becomes a Participating Transmission Owner (emphasis indicating new language):

the transmission lines and associated facilities that it is placing under the ISO's Operational Control and the Entitlements that it is making available for the ISO's use are correctly identified in Appendix A (as amended in accordance with this agreement); that the Participating Transmission Owner has all of the necessary rights and authority to place such transmission lines

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<sup>15</sup> See City of Vernon, 93 FERC ¶ 61,103 (2000).

<sup>16</sup> Contemporaneously with this order, we are issuing an order on rehearing in Docket Nos. ER00-2019-003 and EL00-105-002 that addresses jurisdictional issues raised in the initial declaratory order.

<sup>17</sup> Vernon states on page 5 of its November 17, 2000 amendment to its complaint, that it is willing, as a first step, to go through the arbitration process for TCA issues.

and associated facilities under the ISO's Operational Control subject to the terms and conditions of any agreements governing the use of such transmission lines and associated facilities; and that the Participating Transmission Owner has the necessary rights and authority to transfer the use of such Entitlements to the ISO subject to the terms and conditions of any agreements governing the use of such Entitlements.

Vernon notes in its protest that, as a minority owner in specified transmission projects, it does not have operational control over the transmission facilities it is turning over to the ISO. Vernon also notes that PG&E and SoCal Edison, in their protests filed in the instant complaint proceeding, argue that Vernon's facilities are not "Entitlements" as defined in Appendix D of the TCA. Specifically, SoCal Edison and PG&E note that Appendix D defines "Entitlements" as the right of a Participating Transmission Owner obtained through contract or other means to use another entity's transmission facilities for the transmission of energy and that Vernon will not provide the ISO with the use of another entity's facilities but rather with its own facilities. PG&E also argues that the fact that Vernon's ownership interest may require the use of an operating agent for the joint facilities instead of direct control by Vernon does not change Vernon's legal interest in those facilities. Vernon has sought clarification from the ISO on this point, stating that it is not so concerned about its own understanding of the TCA as it is of the understanding of others. However, from Vernon's perspective, it did not receive a clear, definitive response from the ISO, and therefore it requests clarification from the Commission whether its minority ownership interests in specified transmission projects are transmission lines and associated facilities or Entitlements.

Based on our review of the definitions in Appendix D of the TCA, Vernon's interests in specified transmission projects are not "Entitlements," and thus they are transmission lines and associated facilities.

TANC, Modesto, and Cities/M-S-R protest that Section 4.1.5 is too narrow and propose that it be expanded to state (emphasis indicating new language):

that the Participating Transmission Owner has all of the necessary rights and authority to place such transmission lines and associated facilities under the ISO's Operational Control subject to the terms and conditions of any agreements, tariffs, or judicial or regulatory orders governing the use of such transmission lines and associated facilities . . . .

These parties argue that their more precise contract language specifies that such transfer is further subject to relevant tariffs and judicial and regulatory orders affecting the

transferred facilities. These parties argue that this more precise language would prevent the ISO from taking operational control over Vernon's facilities without being subject to the terms of all existing agreements, a result that would be patently unjust and unreasonable.

We find that the ISO's language is adequate to reflect that Vernon's transfer to the ISO is subject to all existing agreements since the term "agreements" used in the manner herein encompasses all relevant contracts, whether they be rate schedules or tariffs. In addition, these agreements would be modified to reflect the findings set forth in any judicial or regulatory order, and therefore, the proposed modification is unnecessary.

E. Section 16.2 of the TCA

The ISO has included as an amendment to Section 16, Billing and Payment, a new Section 16.2, Refund Obligation. This new provision states:

Each Participating Transmission Owner, whether or not it is subject to the rate jurisdiction of the FERC under Section 205 and Section 206 of the Federal Power Act, shall make all refunds, adjustments to its Transmission Revenue Requirement, and adjustments to its Transmission Owner Tariff and do all other things required of a Participating Transmission Owner to implement any FERC order that requires the ISO to make payment adjustments or pay refunds to, or receive prior period overpayments from, any Participating Transmission Owner. All such refunds and adjustments shall be made, and all other actions taken, in accordance with the ISO Tariff, unless the applicable FERC order requires otherwise.

The ISO, in support of this amendment, notes that the Commission issued an order that addressed the Mid-Continent Area Power Pool's (MAPP) joint open-access transmission tariff and Restated Agreement requiring refunds because of billing under an improper rate provision.<sup>18</sup> On rehearing of that MAPP order, the Nebraska Public Power District (Nebraska) noted it was owned and operated by the State of Nebraska and asked for clarification that the refund order applied only to jurisdictional entities. On rehearing, the Commission agreed that the refund determination did not apply to non-public utility

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<sup>18</sup> See Mid-Continent Area Power Pool, et al., 87 FERC ¶ 61,075 (1999) (MAPP I), order on reh'g, Mid-Continent Area Power Pool, et al., 89 FERC ¶ 61,135 (1999) (MAPP II).

members of a power pool.<sup>19</sup> However, the ISO notes that in subsequent orders regarding refunds,<sup>20</sup> the Commission stated that: (1) its decisions regarding refunds would not affect MAPP members' rights to propose amendments to the Restated Agreement that would contain explicit contract provisions to ensure that all pool members -- non-public utility as well as public utility members -- assume obligations as well as benefits of pool membership; and (2) contractual agreements involving regional transmission services can and should be crafted to ensure that duties and responsibilities of all parties, particularly in circumstances like these (i.e., responsibility for refunds) are clearly delineated in advance.

The ISO argues that without Section 16.2, a non-jurisdictional Participating Transmission Owner, such as Vernon, will not be obligated to adjust rates or make refunds in accordance with the ISO Tariff. Thus, a Participating Transmission Owner not subject to section 205 of the FPA would not be required to refund, either directly or through rate adjustments resulting from changes in its Transmission Revenue Balancing Accounts (TRBA), revenues received in excess of those to which it is entitled under the ISO Tariff.

PG&E in its supporting comments argues that, given the uncertainty that an entity not subject to Commission jurisdiction under sections 205 and 206 of the FPA can be required to make refunds, the only way to assure that new Participating Transmission Owners have the same obligation to conform billing and payments to lawful rates under the ISO Tariff is through a binding contract. PG&E also argues that, without provisions such as Section 16.2, there can be no assurance that the Commission's and the ISO's policy of "the treatment of all Participating Transmission Owners on the same basis" will be realized. Therefore, PG&E urges the Commission to reject efforts by Vernon and any other intervenor to weaken or eliminate Section 16.2.

Vernon states that the ISO's reference to the MAPP orders highlights the ISO's concern that Vernon would somehow use its municipal status to avoid payments that an investor-owned utility under the FPA would otherwise have to make. Vernon states that it is willing to agree to FPA and Commission regulation liability that would apply by law to investor-owned utilities. Vernon also states that it is willing to have the substance of

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<sup>19</sup>See MAPP II.

<sup>20</sup>Mid-Continent Area Power Pool, 90 FERC ¶ 61,280 (2000), 91 FERC ¶ 61,353 (2000), and 92 FERC ¶ 61,229 (2000).

the FPA and Commission regulation refund provisions apply to it with respect to its Transmission Revenue Requirement (TRR) and TRBA. However, Vernon objects to the ISO requiring Vernon to make refunds where Vernon's TRR and TRBA are just and reasonable but somehow the ISO errs in unforeseen ways. Vernon believes that the ISO's proposed language appears to place liabilities on Vernon that go beyond liability for any needed adjustment in the Transmission Access Charge.

TANC, Modesto, and Cities/M-S-R protest the inclusion of Section 16.2 on the grounds that this provision is inappropriate for non-jurisdictional entities who are not subject to the Commission's jurisdiction under sections 205 and 206 of the FPA. Specifically, these parties object to the ISO's proposal that entities who are not subject to the rate jurisdiction of the Commission under sections 205 and 206 of the FPA be required to make refunds or comply with any Commission order related to the ISO Tariff. These parties assert that these provisions will cause the Commission to exceed its jurisdiction under the FPA. These parties argue that by subjecting non-public utilities to refund requirements resulting from a challenge to filed rates, the ISO would effectively make non-public utilities subject to its jurisdiction under sections 205 and 206 of the FPA in plain derogation of the exemption set forth in section 201(f) of the FPA. Thus, these parties argue that the Commission cannot assert its jurisdiction indirectly, when it cannot do so directly.

These parties also assert that the ISO cannot use any agreement with Vernon and the original Participating Transmission Owners as legal justification for requesting that the Commission assert jurisdiction over non-public utility entities. Accordingly, they argue that the Commission should acknowledge that a non-public utility's jurisdictional status under the FPA is unaffected by its joining an ISO or becoming a Participating Transmission Owner.

Finally, these parties argue that if the Commission accepts Section 16.2, it should modify the overly broad provision of requiring an entity to "do all other things required of a Participating Transmission Owner to implement any FERC order related to the ISO Tariff."

The ISO explains the need, under Commission precedent, for a contractual provision to bind Vernon to pay refunds. The provision is not intended to, and would not, expand the Commission's jurisdiction to non-public utility entities, such as Vernon. Rather, the section will create a contractual obligation to contribute to refund payments, should they be required. On this basis, we find proposed section 16.2 reasonable. Thus, TANC, Modesto and Cities/M-S-R's concerns regarding non-public utilities being subject



to the Commission's jurisdiction under sections 205 and 206 of the FPA are misplaced.

F. DWR's Requested Clarification Regarding the Uniformity of the TCA

DWR protests certain language included in proposed Section 16.2. Specifically, DWR objects to: (1) the requirement for a Transmission Revenue Requirement for all entities that have joined the ISO, and (2) all Participating Transmission Owners having a Transmission Owner Tariff. DWR asserts that the Commission has previously ruled that non-transmission owner/operators such as DWR need not have, for example, a revenue requirement, or a balancing account. DWR requests that the Commission order that the TCA should not be deemed a "uniform document" such that all terms and conditions are applicable to all entities who become a Participating Transmission Owner.

DWR's concerns are outside the scope of these proceedings inasmuch as all current Participating Transmission Owners own transmission facilities and thus have a Transmission Revenue Requirement associated with such facilities. Nevertheless, we recognize that DWR has sent a letter to the ISO signaling its intent to join the ISO. As such, the ISO, existing Participating Transmission Owners and prospective new participants should negotiate future amendments to the TCA that are reasonable based on the specific circumstances therein.

G. ISO's Changes to Accommodate Vernon's Joining the ISO

The ISO and Vernon held discussions regarding other provisions of the TCA requiring clarification to reflect Vernon becoming a Participating Transmission Owner. Specifically, the ISO proposes amendments to modify Sections 6.2.2, 9.4 and 10.1.1 of the TCA. Section 6.2.2 modifies the rights of new Participating Transmission Owners to retain scheduling rights under existing contracts in accordance with Amendment No. 27, but notes that Amendment No. 27 is subject to further proceedings before the Commission.<sup>21</sup> Section 9.4 relates to the ISO's authority to impose sanctions on a Participating Transmission Owner in the event of a major outage and the amended TCA reflects language to clarify that authority. Finally, the ISO has amended Section 10.1,

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<sup>21</sup> Amendment No. 27 to the ISO Tariff provides a new methodology for determining transmission access charges. The ISO's proposed amendment, filed in ER00-2019-000, was accepted for filing, suspended, and set for hearing and settlement judge procedures on May 31, 2000. California Independent System Operator Corporation, 91 FERC ¶ 61,205 (2000), reh'g pending.

ISO Controlled Grid Access and Interconnection, to reflect that Vernon is not required by state law to grant open access to its local system for retail access. No party objected to these revisions.

We find that these proposed amendments, which clarify the rights and responsibilities of the parties to the TCA, are reasonable, and they are therefore accepted for filing.

#### H. ISO's Changes to Appendix C and Appendix F

The ISO submitted an amendment to Appendix C concerning the ISO's maintenance standards. The proposed changes are designed to improve the measurement of availability performance of the Participating Transmission Owners and to establish the ISO's safety policy in conjunction with the ISO Maintenance Standards. The ISO notes that these revisions were developed by representatives from a broad-based Maintenance Coordination Committee.

The ISO also submitted a new Appendix F identifying the persons to contact for notice purposes.

No party protested these amendments.

We find these proposed amendments are simply operational clarifications that are reasonable, and they are therefore accepted for filing.

#### I. Compliance with Order No. 614

The ISO has submitted the amendments to the TCA in the format in effect prior to the issuance of Order No. 614.<sup>22</sup> The ISO states that given the press of business and the urgency to complete the filing before year end, it was unable to reformat the TCA. The ISO requests that it be permitted to reformat the TCA in a compliance filing following Commission action on this submission.

We will accept for filing the instant amendments to the TCA. However, designations will not be provided at this time, and the ISO is ordered to make a

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<sup>22</sup>Designation of Electric Rate Schedule Sheets, 65 Fed. Reg. 18,221 (April 7, 2000), FERC Stats. And Regs. ¶ 31,096 (March 31, 2000).

compliance filing, within thirty days of the date of this order, to conform the TCA to Order No. 614.

The Commission orders:

(A) The ISO's amendments to its TCA are hereby accepted for filing, to become effective January 1, 2001, as discussed in the body of this order.

(B) Vernon's complaint filed in Docket No. EL01-14-000 is hereby denied in part and dismissed in part, as discussed in the body of this order.

(C) The ISO is hereby directed to file, within thirty (30) days of the date of this order, a revised TCA and accompanying designations in conformance with Order No. 614.

By the Commission.

( S E A L )

David P. Boergers,  
Secretary.